

Message Text

UNCLASSIFIED

PAGE 01 JAKART 00255 080924Z

15

ACTION EA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-02 H-02 PA-02 PRS-01 USIA-15 FEA-01 AGR-10

INT-05 /115 W

----- 089326

R 080030Z JAN 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 5987

INFO AMCONSUL HONG KONG

AMCONSUL MEDAN

AMCONSUL SURABAYA

UNCLAS JAKARTA 0255

E.O. 11652: N/A

TAGS: EFIN, ID

SUBJ: SUHARTO PRESENTS BUDGET FOR 1975-76

1. SUMMARY: GOI 1975-76 BUDGET, PRESENTED BY SUHARTO JANUARY 6, IS IN BALANCE AT \$6.5 BILLION LEVEL, 73 PER CENT ABOVE CURRENT YEAR. HIGHLIGHTS ARE INCREASED DOMESTIC REVENUES (FROM TAXES ON OIL) AND DOUBLED DEVELOPMENT EXPENDITURES. LATTER WILL INVOLVE INCREASED FOREIGN EXCHANGE COSTS WHICH, TOGETHER WITH LOWERED OIL EXPORT PROJECTIONS, MAKE BALANCE OF PAYMENTS OUTLOOK LESS FAVORABLE. END SUMMARY.

2. PRESIDENT SUHARTO JANUARY 6 PRESENTED PARLIAMENT WITH BALANCED BUDGET FOR GOI FISCAL YEAR BEGINNING APRIL 1, 1975. TOTAL REVENUES AND EXPENDITURES ARE ROUGHLY EQUAL AT ABOUT RP. 2.7 TRILLION (\$6.5 BILLION), AN INCREASE OF 73 PER CENT OVER CURRENT YEAR'S LEVELS. FAILURE TO BUDGET FOR A SURPLUS REFLECTS CONFIDENCE

UNCLASSIFIED

PAGE 02 JAKART 00255 080924Z

THE GOI HAS INFLATION UNDER CONTROL -- A FEAT OF WHICH

SUHARTO MADE MUCH IN HIS SPEECH.

3. ON RECEIPTS SIDE, DOMESTIC REVENUES ARE PROJECTED AT RP. 2.4 TRILLION (\$5.8 BILLION), UP 84 PER CENT FROM CURRENT YEAR. OF THIS TOTAL RP. 1.8 TRILLION WILL COME FROM DIRECT TAXES -- A 115 PER CENT JUMP MAINLY ATTRIBUTABLE TO TAXES ON OIL COMPANIES. INDIRECT TAXES SHOULD CONTRIBUTE RP. 570 BILLION AND NON-TAX REVENUES RP. 57 BILLION, RESPECTIVELY 23 PER CENT AND 93 PER CENT ABOVE CURRENT YEAR. DEVELOPMENT REVENUES ARE BUDGETED AT RP. 238 BILLION (\$574 MILLION), A 12 PER CENT INCREASE.

4. ROUTINE EXPENDITURES WILL BE RP. 1.5 TRILLION (\$3.6 BILLION), A 52 PER CENT HIKE REFLECTING, ACCORDING TO SUHARTO, INCREASED SALARIES FOR GOVERNMENT EMPLOYEES AND RP. 218 BILLION OF SUBSIDIES ON IMPORTED BASIC NECESSITIES. DEVELOPMENT EXPENDITURES WILL MORE THAN DOUBLE, TO RP. 1.268 TRILLION (\$3.1 BILLION). SUHARTO STRESSED THAT 81 PER CENT OF THESE WILL BE FINANCED FROM GOVERNMENT SAVINGS, AS AGAINST 65 PER CENT IN CURRENT YEAR. HE NOTED THAT IMPROVEMENT IN INDONESIA'S BALANCE OF PAYMENTS HAS MADE IT POSSIBLE TO OBTAIN FOREIGN LOANS ON LESS EASY TERMS -- INCLUDING "EXPORT CREDITS FROM THE U.S., CANADA, FRANCE, ETC." TALKS HAVE BEEN HELD, HE ADDED, ON LOANS ON SIMILAR TERMS FROM EASTERN EUROPEAN COUNTRIES.

5. MOST STRIKING FEATURE OF THE BUDGET IS THE DOUBLING OF DEVELOPMENT EXPENDITURES. ABOUT HALF THE INCREASE WILL BE USED TO BOOST DEPARTMENT DEVELOPMENT BUDGETS, AND THE REST TO INCREASED INVESTMENT IN STATE ENTERPRISES, GOVERNMENT INFRASTRUCTURE AND SUBSIDY COSTS. BY FUNCTIONAL AREAS, TRANSPORTATION AND TELECOMMUNICATIONS GAIN BY FAR LARGEST INCREASE, WITH DEFENSE A MUCH LOWER SECOND AND ELECTRIC POWER THIRD. AGRICULTURE, INDUSTRIAL DEVELOPMENT, LOW COST HOUSING AND FAMILY PLANNING (COMBINED), EDUCATION AND IMPROVEMENT OF GOVERNMENT STRUCTURE ALL GET UNCLASSIFIED

UNCLASSIFIED

PAGE 03 JAKARTA 00255 080924Z

ROUGHLY EQUAL INCREASES. IN HIS SPEECH, SUHARTO LAID SPECIAL EMPHASIS ON REGIONAL DEVELOPMENT IN EDUCATION AND PUBLIC HEALTH. OVERALL GOVERNMENT IS ATTEMPTING TO MAXIMIZE FOREIGN EXCHANGE COMPONENT IN DEVELOPMENT SPENDING INCREASES SO AS TO LIMIT THEIR INFLATIONARY IMPACT.

6. COMMENT: WHILE SUBBUDGET IS BALANCED, ITS EFFECT

ON MONETARY SITUATION WILL DEPEND UPON RATES OF SPENDING AND MAY NOT BE NEUTRAL. FISCAL DATA FOR FIRST-HALF 1974/75 SHOW LARGE SURPLUS EQUIVALENT TO 20 PER CENT OF GOVERNMENT REVENUES, WHILE PROJECTIONS FOR SECOND-HALF SHOW DEFICIT OF 13 PER CENT OF REVENUES. SWING FROM THE FIRST TO THE SECOND HALF IS RP. 340 BILLION, OR \$825 MILLION IN A TOTAL BUDGET OF \$5.2 BILLION. THIS POSES CHALLENGE FOR RESTRAINT OF INFLATION, CURRENTLY RUNNING AT A PRECARIOUS 20 PER CENT.

7. REVISED BUDGETARY AND DEVELOPMENT PLANS JOIN WITH OTHER DEVELOPMENT TO REQUIRE SIGNIFICANT REVISION OF BALANCE OF PAYMENTS OUTLOOK. FOREIGN EXCHANGE COMPONENT OF BUDGET DEVELOPMENT EXPENDITURE INCREASES INVOLVES SOME \$220 MILLION IN PAYMENTS ON IMPORT COST OVERRUNS ON PUSRI AND OTHER PROJECTS, AND ON CAKUNG WAREHOUSE PROJECT. IN ADDITION UNDER DEVELOPMENT EXPENDITURES EXPLICIT FOREIGN EXCHANGE COST OF PROJECT INCREASES INVOLVES \$160 MILLION, PLUS IMPORTS UNDER INVESTMENTS IN POWER, DEFENSE AND OTHER PROGRAMS WHICH WE DSTMATE WOULD ADD \$70-80 MILLION MORE. ALLOWING FOR SLIPPAGE IN EXPENDITURE FROM THE COMBINED INCREASE APPROACHING \$450 MILLION, THIS ALSO NEGLECTS INDIRECT STIMULUS TO IMPORTS FROM GOVERNMENT SALARY AND OTHER EXPENDITURE AND CREDIT EXPANSION.

8. CONCURRENTLY EVENTS CONTINUE TO FORCE FURTHER DOWNWARD REVISION OF OIL EXPORT ESTIMATES. MINES OFFICIALS NOW ACKNOWLEDGE PROBLEMS MARKETING WAXY RESIDUAL FUEL FROM SUMATRA FIELDS OF CALTEX AND PETROMER TREND'S INSUFFICIENTLY SWEET CRUDE MAY REQUIRE TRIMMING OIL EARNING ESTIMATES FROM 3 TO 8 UNCLASSIFIED

UNCLASSIFIED

PAGE 04 JAKART 00255 080924Z

PER CENT THIS FY, BUT NOW MINES OFFICIALS DISCUSS A 490 TO 515 MILLION BARREL RANGE. MOST RECENT GOI ESTIMATES, REVISED SINCE IMF TEAM DEPARTURE, NOW PROJECT NET OIL EARNINGS AT ABOUT \$2.6 BILLION, DOWN \$200 MILLION AND HAVE ALSO CUT \$100 MILLIOMEDROM NON-OIL EXPORT EARNINGS. IMPORT LEVELS HAVE BEEN REVISED UPWARD BY A MODEST \$100 MILLION, GIVING A NET FOREIGN EXCHANGE INCREMENT PROJECTED AT ABOUT \$800 MILLION AND AN IMPLIED APRIL 1, 1975 FOREIGN EXCHANGE RESERVE OF \$1.7 BILLION. EMBASSY STILL INCLINED TO ACCEPT SOMEWHAT HIGHER FIGURE CLOSER TO \$1.9 ON BELIEF THAT GOI OIL ESTIMATES ERR ON CONSERVATIVE SIDE.

9. SPEECH TEXT BEING POUCHED.

NEWSOM

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET, ECONOMIC DEVELOPMENT, INFLATION, TAXES, BALANCE OF PAYMENTS, GOVERNMENT EXPENDITURES, GOVERNMENT REVENUES
Control Number: n/a
Copy: SINGLE
Draft Date: 08 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975JAKART00255
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750007-0356, D750007-0186
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750170/aaaacijn.tel
Line Count: 170
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 12 MAR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 MAR 2003 by RicharJA>; APPROVED <29 DEC 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SUHARTO PRESENTS BUDGET FOR 1975-76
TAGS: EFIN, ID, (SUHARTO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006